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In the Supreme Court of the United States

No. 688.

OCTOBER TERM, 1954.

THE AUTOMATIC DIE & PRODUCTS CO.,
An Ohio Corporation,
Petitioner,

vs.

JOHN M. CAMPBELL and PHILMORE J. HABER,
As Trustees for
THE CORK-A-LITE DEVELOPMENT TRUST,
Respondents.

BRIEF OF RESPONDENTS.

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Respondents.

BRIEF OF RESPONDENTS.

ARGUMENT.

Summary.

The writ should be denied for the following reasons:

1. **The case at bar does not present a federal question.**
2. **The petitioner is estopped by its conduct and the decision of the Ohio Supreme Court on this point is final.**
3. **Even if the decision of the Ohio Supreme Court were partially based upon a federal question, there is an adequate state ground to sustain the decision and the jurisdiction of this Court fails.**

1. THE CASE AT BAR DOES NOT PRESENT A FEDERAL QUESTION.

Conceding for the sake of this Brief that everything that Petitioner has stated about the three "federal cases"

National Lock Washer Co. v. George K. Garrett Co., 137 F. 2d 255 (3rd Cir. 1943);
McCollough v. Kammerer Corp., 166 F. 2d 759 (9th Cir. 1948). Cert. Den. 335 U. S. 813 (1948);
Park-In Theatres, Inc. v. Paramount-Richards Theatres, 81 F. Supp. 466 (1948), 90 F. Supp. 730 (1950), Aff'd. 185 F. 2d 407 (3rd Cir. 1950) Cert. Den. 341 U. S. 950 (1951),

is true, still it has failed to show how they justify this Court's taking jurisdiction and granting the writ. These three cases form the sole foundation for Petitioner's claim and their decisions do not establish that the case at bar presents a federal question.

The rule is well settled that questions involving the License Agreement itself are not questions under the patent laws even though a patent is the source of the license. The instant suit for royalties could not even have been brought in a federal court.

Excelsior Wooden Pipe Co. v. Pacific Bridge Co., 185 U. S. 282 (1902).

Even where a suit for royalties is combined with an action for infringement, federal courts have no jurisdiction of the count for royalties.

Luckett v. Delpark, Inc., 270 U. S. 496 (1926);
Hartel v. Tilghman, 99 U. S. 547 (1879);
Wilson v. Sandford, 10 How. 55 (1850);
General Motors v. Rubsam, 65 F. 2d 217 (6th Cir., 1933);

Loews Drive-In Theatres, Inc. v. Park-In Theatres, Inc., 174 F. 2d 547 (1st Cir., 1949).

It took a special statute to assure the right to prosecute in the federal courts a claim for unfair competition when joined with a "substantial and related claim under the patent laws." 28 U. S. C. Sec. 1338 (b).

The *Lock Washer* case was a patent infringement case.

The *McCollough* case was a patent infringement case.

The *Park-In* case was a diversity of citizenship case. (See report of Case in 7 F. R. D. 726.)

These three "federal cases" relied upon by the Petitioner were "federal cases" by virtue of the infringement (28 U. S. C. Sec. 1338(a)) and diversity of citizenship (28 U. S. C. Sec. 1332) sections of the Judicial Code and not because the abuse of patents was urged as a defense. Therefore, even if these cases had reached a conclusion opposed to that of the Ohio Supreme Court, they do not and cannot establish a federal common law rule binding on a State Court.

Erie RR v. Tompkins, 304 U. S. 64 (1938).

In an effort to create a federal question, Petitioner quoted at length from the Clayton Act, but this lengthy recital is not a substitute for the necessary factual showing that there was interstate commerce. Moreover it has been held that even where there is unfair competition, interstate in scope, but no infringement is involved, State laws are applicable under the *Erie RR* doctrine.

Addressograph-Multigraph Corp. v. American Expansion Bolt & Mfg. Co., 124 F. 2d 706 (7th Cir. 1942). Cert. Den. 316 U. S. 682 (1942).

The report of the arbitrators (Petition Appendix pages 10a through 41a) and the opinion of the Ohio Su-

preme Court (Petition Appendix page 8a) clearly demonstrate that no muffler was ever manufactured or sold in interstate commerce. The mere fact that some of the material used in the manufacture flowed across State lines does not render the manufacture interstate commerce.

East Ohio Gas Co. v. Tax Commr., 283 U. S. 465 (1931);

Brosious v. Pepsi Cola, 155 F. 2d 99 (3rd Circuit, 1946);

Ewing-VonAllmen Dairy Co. v. C & C Ice Cream Co., 109 F. 2d 898 (6th Cir. 1940).

So also the mere transportation to test a muffler was not interstate commerce since "commerce includes intercourse * * * traffic alone is not enough."

Lord v. Goodall, 102 U. S. 541 (1880);

See also *U. S. v. Yellow Cab Co.*, 332 U. S. 218 (1947).

Interstate commerce is an intensely practical concept drawn from the normal and accepted course of business.

Swift & Co. v. U. S., 196 U. S. 375 (1905).

Mere echoes of patents, Clayton Acts, and federal decisions in a State case do not create a "federal question."

> "What is needed is something of that common-sense accommodation of judgment to kaleidoscopic situations which characterizes the law in its treatment of problems of causation. One could carry the search for causes backward almost without end * * *. If we follow the ascent far enough, countless claims of right can be discovered to have their source or their operative limits in the provisions of a federal statute or in the Constitution itself with its circumambient restrictions on legislative power. To set bounds to the pursuit, the courts have formulated the distinction be-

tween controversies that are basic and those that are collateral, between *disputes that are necessary and those that are merely possible.* We shall be lost in a maze if we put that compass by." (Emphasis ours.)

Cardozo, J. in *Gully v. The First National Bank*, 299 U. S. 109 (1936).

2. THE PETITIONER IS ESTOPPED BY ITS CONDUCT AND THE DECISION OF THE OHIO SUPREME COURT ON THIS POINT IS FINAL.

We have demonstrated that there is no federal question in the instant case. If there were and the doctrines set forth in the cases of *Sola Electric Co. v. Jefferson Electric Co.*, 317 U. S. 173 (1942), and *MacGregor v. Westinghouse Electric & Mfg. Co.*, 329 U. S. 402 (1947), were controlling, the Petitioner would still be estopped from asserting the defense of illegality. An examination of the *Sola* and *MacGregor* cases reveals that state laws of estoppel were superseded by federal law where the estoppel arose out of the terms of the contract itself. Thus, in the *MacGregor* case, the State court held that a licensee was estopped to deny the validity of his licensor's patent which he had agreed to recognize under the terms of the license contract. Similarly, in *Sola* as to pricing arrangements in the contract.

In the instant case, the Ohio Supreme Court held the Petitioner estopped on a procedural ground based upon his own actions completely independent of the License Agreement.

The court points out, and the uncontroverted record indicates that it was not until far into the fourteen-month arbitration that Petitioner made the claim that the contract was illegal. The Ohio court did not, as did the courts in the *Sola* and *MacGregor* cases, hold that if Petitioner had

timely raised his objection, he would have been estopped by the terms of the license contract. In fact, the opinion (Petition Appendix page 9a) sets forth methods by which Petitioner could have raised the issue under State procedure.

The Ohio Supreme Court decided a State law question based upon local procedural rules and statutes, and this Court is bound by such decision. A federal claim being asserted under Judicial Code Section 1257 to give this Court jurisdiction must be asserted at the proper time and in the proper manner *under the State system of procedure* and the question of whether the claim has been so asserted is a question of State law.

Penna. RR v. The Ill. Brick Co., 297 U. S. 447 (1936);

Central Union Telephone v. City of Edwardsville, 269 U. S. 190 (1925);

Hartford Life Ins. Co. v. Johnson, 249 U. S. 490 (1919).

3. EVEN IF THE DECISION OF THE OHIO SUPREME COURT WERE PARTIALLY BASED UPON A FEDERAL QUESTION, THERE IS AN ADEQUATE STATE GROUND TO SUSTAIN THE DECISION AND THE JURISDICTION OF THIS COURT FAILS.

The Supreme Court of the State of Ohio held that the Petitioner was estopped from asserting the defense, that the award of the arbitrators was final and that the arbitrators did not exceed their powers within the contemplation of Subdivision (d) of Section 12148-10, Ohio General Code (now Revised Code Section 2711.10). (See Petition Appendix page 9a.) There are then good and sufficient State grounds for sustaining the judgment. This Court has clearly stated the rule governing the exercise of federal jurisdiction in such cases: If the State court judgment

rests on two grounds, one federal and one not, and the State ground is sufficient to sustain the judgment, then the U. S. Supreme Court *will not* take jurisdiction.

Lynch v. New York, 293 U. S. 52 (1934);
See also *New Orleans v. New Orleans Waterworks Co.,* 142 U. S. 79 (1891).

The rule is followed in anti-trust cases.

Fox Film Corp. v. Muller, 296 U. S. 207 (1935) (An action by a licensor v. a licensee on a contract containing an arbitration clause which the licensee asserted violated the Sherman Act).

CONCLUSION.

The writ should not issue because

(1) There is no federal question. In the federal decisions relied on by Petitioner, jurisdiction of the federal courts was based upon specific statutory jurisdictional grounds.

(2) The Petitioner is estopped by his conduct.

(3) Even if the decision of the Ohio Supreme Court were partially based upon a federal question, still there is an adequate State ground to sustain the decision and the jurisdiction of this Court fails.

Respectfully submitted,

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